

RAILROAD COMMISSION OF TEXAS GAS SERVICES DIVISION

GAS UTILITIES INFORMATION BULLETIN

No. 897



RAILROAD COMMISSION OF TEXAS

**Victor G. Carrillo, Chairman
Elizabeth A. Jones, Commissioner
Michael L. Williams, Commissioner**

**William O. Geise
Director
Gas Services Division**

August 30, 2010

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Orders were issued in the following dockets:

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SECTION 1
NEW APPEALS AND APPLICATIONS FILED

DOCKET NO.	--	10001
CAPTION	--	Application of Enbridge Pipeline (North Texas L.P. (EPNT) For Review of the transfer of Compressor Assets to Enbridge G & P (North Texas) L.P. (EGPNT). (
DATE FILED	--	August 6, 2010
FILED BY	--	Joe White
EXAMINER	--	Mark Brock
DOCKET NO.	--	10002
CAPTION	--	Application of Enbridge Pipeline (North Texas L.P. (EPNT) For Review of the transfer of Pipeline Assets to Enbridge Gathering (North Texas) L.P. (EGNT).
DATE FILED	--	August 6, 2010
FILED BY	--	Joe White
EXAMINER	--	Mark Brock
DOCKET NO.	--	10003
CAPTION	--	Inquiry into the Failure of Atmos Energy Corp., Mid-Tex Division to Comply with Safety
DATE FILED	--	August 9, 2010
FILED BY	--	Commission's own Motion
EXAMINER	--	Mark Brock
DOCKET NO.	--	10004
CAPTION	--	Application of Atmos Pipeline - Texas for Approval of Abandonment related to Service Facilities; Line KC (West) 8-10", Nolan, Mitchell and Taylor Counties to Atmos EnerCorp., Mid-Tex Division.
DATE FILED	--	August 9, 2010
FILED BY	--	Charles R. Yarbrough
EXAMINER	--	Mark Brock
DOCKET NO.	--	10005
CAPTION	--	Application of Atmos Energy Corp., Mid-Tex Division for Approval of Abandonment to Residential and Commercial Customers in Nolan, Mitchell and Taylor Counties.
DATE FILED	--	August 9, 2010
FILED BY	--	Charles R. Yarbrough
EXAMINER	--	Mark Brock
DOCKET NO.	--	10006
CAPTION	--	Appeal of CenterPoint Energy from the Actions of the Cities of Alvin, Clear Lake Shores, Dickinson, Friendswood, Kemah, La Marque, Lake Jackson, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village and Texas City, Texas.
DATE FILED	--	August 11, 2010
FILED BY	--	Dane McKaughan
EXAMINER	--	Eugene Montes

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DOCKET NO.	--	10007
CAPTION	--	Appeal of CenterPoint Energy from the Actions of the Cities of Angleton, Baytown, League City, Pearland, Shoreacres and Wharton, Texas.
DATE FILED	--	August 11, 2010
FILED BY	--	Dane McKaughan
EXAMINER	--	Eugene Montes
DOCKET NO.	--	10008
CAPTION	--	Inquiry into the Failure of Agape Support Services to Comply with Safety Standards.
DATE FILED	--	August 18, 2010
FILED BY	--	Commission's own Motion
EXAMINER	--	
DOCKET NO.	--	10009
CAPTION	--	Inquiry into the Failure of BNP Petroleum Corporation to Comply with Safety Standards
DATE FILED	--	August 18, 2010
FILED BY	--	Commission's own Motion
EXAMINER	--	
DOCKET NO.	--	10010
CAPTION	--	Inquiry into the Failure of Enterprise Products Operating LLC to Comply with Safety Standards
DATE FILED	--	August 18, 2010
FILED BY	--	Commission's own Motion
EXAMINER	--	
DOCKET NO.	--	10011
CAPTION	--	Inquiry into the Failure of Mission PipelineCompany to Comply with Safety Standards.
DATE FILED	--	August 18, 2010
FILED BY	--	Commission's own Motion
EXAMINER	--	
DOCKET NO.	--	10012
CAPTION	--	Inquiry into the Failure of Genesis Producing Company, L.P. to Comply with Safety Standards.
DATE FILED	--	August 18, 2010
FILED BY	--	Commission's own Motion
EXAMINER	--	
DOCKET NO.	--	10013
CAPTION	--	Inquiry into the Failure of Texas, Kansas, Oklahoma Gas LLC to Comply with Safety Standards.
DATE FILED	--	August 18, 2010
FILED BY	--	Commission's own Motion
EXAMINER	--	
DOCKET NO.	--	10014
CAPTION	--	Inquiry into the Failure of Shoreham Pipeline Company to Comply with Safety Standards.
DATE FILED	--	August 18, 2010
FILED BY	--	Commission's own Motion
EXAMINER	--	

SECTION 2
APPEALS AND APPLICATIONS SET FOR HEARING OR PREHEARING CONFERENCE

None at this time.

SECTION 3
STATUS OF PENDING CASES

None at this time.

SECTION 4
NOTICES OF DISMISSAL

None at this time.

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SECTION 5
ORDERS OF THE COMMISSION

RAILROAD COMMISSION OF TEXAS

STATEMENT OF INTENT FILED BY NATGAS INC. TO INCREASE RATES IN AND AROUND THE UNINCORPORATED COMMUNITY OF OZONA, TEXAS	§ § §§ §	GAS UTILITIES DOCKET NO. 9951
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FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551, et seq. (Vernon 1994 & Supp. 2004). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. Natgas, Inc. ("Natgas") is a utility as that term is defined in the Gas Utility Regulatory Act.
2. Natgas owns and operates a gas distribution system that provides gas service to customers in and around the unincorporated community of Ozona, Texas in Crockett County, Texas.
3. On February 11, 2010, Natgas filed a statement of intent to increase rates on customers located in and around the unincorporated community of Ozona, Texas.
4. On March 9, 2010, the Commission suspended the implementation of Natgas's proposed rate changes for environs customers for up to 150 days pursuant to TEX. UTIL. CODE ANN. §104.107(a)(2).
6. The statutory deadline for Commission action on this docket is August 29, 2010.
7. Three individuals filed objections to the Natgas' proposed rate increase. Notice of the final hearing in this matter was sent to these objectors. No individual filed a motion to intervene, attended the final hearing, or otherwise participated in this proceeding.
8. A final hearing was conducted in Austin on June 30, 2010, to take testimony, other evidence, and legal argument on all issues of law and fact that were raised in or relevant to Natgas's statement of intent, for the purpose of developing a record that the Commission will use in setting rates.
9. Natgas completed its notice requirements by mailing notice directly to each affected customer.
10. The data submitted by Natgas in this docket encompass a full test-year, i.e. the twelve-month period ending December 31, 2008.
11. Natgas proposed rates for the following two classes of customers: residential and small commercial; and, large commercial.
12. There are approximately 1,080 residential, and 167 commercial customers that will be affected by Natgas' rate changes.

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13. A capital structure of 24.43 percent long-term debt and 75.57 percent common equity is reasonable.
14. A cost of long-term debt for Natgas of 8.50 percent is reasonable.
15. It is reasonable under the facts for Natgas to use the same cost of equity approved in its last rate case, GUD No. 9234, of 12.75 percent because Natgas has been unprofitable for the past three years, needs to replace several segments of line, its customer base is stable, and the utility's rates for gas service are within the average range of gas rates for similarly sized gas distribution companies in Texas.
16. An overall rate of return of 11.71 percent based on the weighted average cost of capital is reasonable.
17. It is reasonable to set Natgas's system-wide operating revenues at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing Natgas's overall cost of service.
18. It is reasonable to set Natgas's system-wide operating expenses at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing Natgas's overall cost of service.
19. It is reasonable to set Natgas's system-wide accumulated depreciation at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing Natgas's overall cost of service.
20. It is reasonable to set Natgas's system-wide rate base at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing Natgas's overall cost of service.
21. The residential and small commercial service rate, as shown on Examiners' Exhibit 1, is reasonable.
22. The large commercial service rate, as shown on Examiners' Exhibit 1, is reasonable

CONCLUSIONS OF LAW

1. Natgas, LLC ("Natgas") is a "Gas Utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007 & Supp. 2008) and §121.001(2007) and is therefore subject to the jurisdiction of the Railroad Commission ("Commission") of Texas.
2. The Railroad Commission of Texas has jurisdiction over Natgas and Natgas's statement of intent under TEX. UTIL. CODE ANN. §§ 102.001, 104.001, 104.001 and 104.201 (Vernon 2007 & Supp. 2008). exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. This Statement of Intent was processed in accordance with the requirements of the Gas Utility regulatory Act (GURA), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§2001.001 2001.902 (Vernon 2000 and Supp. 2004) (APA).
5. In accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 1998), the Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities.
6. TEX. UTIL. CODE ANN. §104.107 (Vernon 2007 & Supp. 2008) provides the Commission's authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
7. In accordance with TEX. UTIL. CODE §104.103 (Vernon 2007 & Supp. 2008), 16 TEX. ADMIN. CODE

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ANN. §7.230 (2002), and 16 TEX. ADMIN. CODE ANN. §7.235 (2002), adequate notice was properly provided.

8. In accordance with the provisions of TEX. UTIL. CODE ANN. §104.102 (Vernon 2007 & Supp. 2008), 16 TEX. ADMIN. CODE ANN. §7.205 (2002), and 16 TEX. ADMIN. CODE §7.210 (2002), Natgas filed its Statement of Intent to change rates.
9. The revenue, rates, rate design, and service charges proposed by Natgas and identified in the schedules attached to this order, are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. §104.003 (Vernon 2007 & Supp. 2008).
10. The overall revenues as established by the findings of fact and attached schedules are reasonable; fix an overall level of revenues for Natgas that will permit the company a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses, as required by TEX. UTIL. CODE ANN. § 104.051 (Vernon 2007 & Supp. 2008); and otherwise comply with Chapter 104 of the Texas Utilities Code.
11. The revenue, rates, rate design, and service charges proposed will not yield to Natgas more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public, as required by TEX. UTIL. CODE ANN. § 104.052 (Vernon 2007 & Supp. 2008).
12. The rates established in this docket comport with the requirements of TEX. UTIL. CODE ANN. §104.053 (Vernon 2007 & Supp. 2008) and are based upon the adjusted value of invested capital used and useful, where the adjusted value is a reasonable balance between the original cost, less depreciation, and current cost, less adjustment for present age and condition.
13. In accordance with TEX. UTIL. CODE ANN. §104.054 (Vernon 2007 & Supp. 2008) and TEX. ADMIN. CODE §7.5252, book depreciation and amortization was calculated on a straight line basis over the useful life expectancy of Natgas's property and facilities.
14. In this proceeding, Natgas has the burden of proof under TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 & Supp. 2008) to show that the proposed rate changes are just and reasonable.
15. It is reasonable for the Commission to allow Natgas to include a Purchase Gas Adjustment Clause in its rates to provide for the recovery of all of its gas costs, in accordance with 16 TEX. ADMIN. CODE § 7.5519 (2002).
16. All expenses for lost and unaccounted for gas in excess of 5.0 percent shall be disallowed, consistent with TEX. ADMIN. CODE § 7.5519 (2002).
17. Natgas is required by 16 TEX. ADMIN. CODE §7.315 (2002) to file electronic tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.
18. The rate setting methodologies set forth in TEX. UTIL. CODE ANN. §104.051 et seq. were used to set the rates in this proceeding.

IT IS THEREFORE ORDERED that Natgas's proposed schedule of rates is hereby DENIED.

IT IS FURTHER ORDERED that the rates, rate design, and service charges established in the findings of fact and conclusions of law and in the attached Schedules for Natgas are APPROVED.

IT IS FURTHER ORDERED that, in accordance with 16 TEX. ADMIN. CODE §7.315, within 30 days of the date this Order is signed, Natgas shall file tariffs with the Gas Services Division. The tariffs shall incorporate rates, rate design, and service charges consistent with this Order, as stated in the findings of fact and conclusions of law and shown in the

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attached Schedules.

IT IS FURTHER ORDERED that Natgas file an annual statement of its operations concurrent with its annual report. The annual statement of operation shall be filed with the Gas Services Division and shall contain information required by Gas Services Division staff.

IT IS FURTHER ORDERED that all proposed findings of fact and conclusions of law not specifically adopted in this Order are hereby DENIED. **IT IS ALSO ORDERED** that all pending motions and requests for relief not previously granted or granted herein are hereby DENIED.

IT IS FURTHER ORDERED THAT within 30 days of this order Natgas SHALL electronically file tariffs and rates schedules in proper form that accurately reflect the rates approved by the Commission in this Order.

This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. if a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 10th day of August, 2010.

RAILROAD COMMISSION OF TEXAS

/s/
CHAIRMAN VICTOR G. CARRILLO

/s/
COMMISSIONER ELIZABETH A. JONES

/s/
COMMISSIONER MICHAEL L. WILLIAMS

ATTEST:

Rachel Hampton
SECRETARY

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RAILROAD COMMISSION OF TEXAS

APPLICATION OF ATMOS ENERGY CORP. , MID-TEX DIVISION FOR THE TEST YEAR 2009 ANNUAL INTERIM RATE ADJUSTMENT PROGRAM FOR THE ENVIRONS AREAS.		GAS UTILITIES DOCKET NO. 9961
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INTERIM RATE ADJUSTMENT ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 (Vernon 2008). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT*Background*

1. Atmos Energy Corporation (Atmos) is a "gas utility," as that term is defined in the TEXAS UTILITY CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. Atmos Energy Corporation, Mid-Tex Division (Distribution), a division of Atmos, owns and operates a gas distribution system.
3. On March 29, 2010, Distribution filed an application for an annual interim rate adjustment (IRA) applicable to customers located in its Mid-Tex System environs area.
4. Atmos requested that the interim rate adjustments for all customer classes become effective on May 28, 2010.
5. On April 16, 2010, the Commission suspended implementation of Atmos' proposed interim rate adjustments until July 12, 2010, which would be 45 days following the 60th day after the application would be considered complete.
6. On June 24, 2010 and July 16, 2010, Atmos requested additional extensions to the requested effective date, therefore, extending the statutory deadline to August 25, 2010.
7. TEXAS UTILITIES CODE, §104.301 (Vernon 2007) does not provide a remedy for parties that oppose an annual interim rate adjustment.
8. 16 TEX. ADMIN. CODE, §7.7101 (2008) allows written comments or a protest concerning the proposed interim rate adjustment to be filed with the Gas Services Division.
9. Neither TEXAS UTILITIES CODE, §104.301 (Vernon 2007) nor 16 TEX. ADMIN. CODE, §7.7101 (2008) provides the opportunity for parties to intervene in the Commission's review of an application for an annual interim rate adjustment.
10. A gas utility's allowed adjustment in the first interim rate adjustment following a rate case is based on the

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difference between the gas utility's invested capital at the end of the rate case test year and the invested capital at the end of the calendar year following the end of such test year.

11. This docket is the first annual interim rate adjustment for the distribution system environs of Atmos Energy Corp., Mid-Tex Division following GUD No. 9869.
12. Until promulgation of TEXAS UTILITIES CODE, §104.301 (Vernon 2007), a utility could not increase its rates applicable to environs customers without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
13. Atmos' proposed interim rate adjustments will allow Distribution an opportunity to recover a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, GUD No. 9869, without the necessity of filing a statement of intent rate case and without review by the Commission of Atmos' comprehensive cost of service.

Applicability

14. This docket applies to only those rates over which the Commission has original jurisdiction, including all of the Distribution system environs customers.
15. As of December 31, 2009, Distribution environs customers included approximately 43,336 Residential customers, 2,099 Commercial customers, and 55 Industrial Sales and Transport customers.

Most Recent Comprehensive Rate Case

16. Atmos' most recent rate case for the area in which the interim rate adjustment will be implemented is GUD No. 9869, Petition for De Novo Review of the Denial of the Statement of Intent filed by Atmos Energy Corp., Mid-Tex Division by the City of Dallas; Statement of Intent to Increase Gas Utility Rates in the Unincorporated Areas Served by the Mid-Tex Division.
17. GUD No. 9869 was filed on April 23, 2009.
18. The data used in GUD No. 9869 was based on a test-year ending June 30, 2008.
19. The Commission signed the GUD No. 9869 final Order on January 26, 2010, and the rates became effective the same day.
20. The rates currently charged by Atmos were set by the Commission in GUD No. 9869.
21. The following chart shows the factors that were used for Distribution to establish or used in the Final Order setting rates in GUD No. 9869 to calculate the return on investment, depreciation expense, incremental federal income tax, and ad valorem taxes.

GUD 9869 CALCULATION FACTORS

Factor	Distribution
Rate of return	8.60%
Mid-Tex Depreciation Rate	3.484%
SSU Depreciation Rate	7.868%
Federal Income Tax Rate	35%
Mid-Tex Ad Valorem Tax Rate	1.134%
SSU Ad Valorem Tax Rate	0.460%

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Interim Rate Adjustment

22. Atmos seeks approval from the Commission for an adjustment to its revenue, based on incremental net utility plant investment, with regard to the following components: return on investment; depreciation expense; ad valorem taxes; revenue related taxes; and federal income taxes.
23. The revenue amounts to be recovered through Atmos' proposed annual interim rate adjustments are incremental to the revenue requirement established in Atmos' most recent rate case for the area in which the interim rate adjustment is to be implemented, i.e., GUD No. 9869.
24. For the first interim rate adjustment following a rate case, the amounts by which Atmos may adjust its rates are based on the difference between Distribution's invested capital at the end of the most recent rate case test-year (June 30, 2008) and the invested capital at the end of the calendar-year following the end of the most recent rate case test-year (December 31, 2009).
25. The value of Atmos' invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment for Distribution's interim rate adjustments.
26. Atmos' incremental net utility plant investment increase is \$16,957,187 for Distribution, as shown in Exhibit B.
27. Atmos is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates in Atmos' most recent rate case for the area in which the interim rate adjustment is to be implemented.
28. Atmos is required to allocate the revenue to be collected through the interim rate adjustment among its customer classes in the same manner as the cost of service was allocated among its customer classes in its most recent rate case for the area in which the interim rate adjustment is to be implemented.
29. Atmos proposed the interim rate adjustment as a flat rate to be applied to the monthly customer charges and monthly meter charges rather than as a volumetric rate to be applied to the initial block usage rates.
30. Atmos is required to show its annual interim rate adjustments on its customers' monthly billing statements as a surcharge.
31. The proposed interim rate adjustment does not require an evidentiary proceeding; rather, TEXAS UTILITIES CODE, §104.301 and 16 TEX. ADMIN. CODE, §7.7101 require the regulatory authority to review a utility's method of calculating the interim rate adjustment.
32. Due process protections are deferred until Atmos files its next full statement of intent rate case.

Notice

33. Atmos provided adequate notice to its Distribution Residential (R) and Commercial (C) customers between April 5, 2010 and April 30, 2010.
34. Atmos provided adequate notice to its Distribution Industrial (I) and Transportation (T) customers on May 13, 2010.

Comprehensive Rate Case Required

35. Atmos is not required to initiate a rate case supporting a statement of intent, at the time it applies for an interim rate adjustment.
36. A gas utility that implements an interim rate adjustment and does not file a rate case before the fifth anniversary of the date its initial interim rate adjustment became effective is required to file a rate case not later than the 180th day after that anniversary.

Review of Interim Rate Adjustment

37. Atmos' proposed allocation methodology complies with TEXAS UTILITIES CODE, §104.301, and with 16 TEX. ADMIN. CODE, §7.7101.
38. For allocation methodology, it is reasonable for the Commission to approve use of Atmos' overall cost of service (less other revenue, gas cost, and revenue related taxes) as determined in its most recent rate case. The following overall cost of service allocation factors for use in the calculation of Atmos' interim rate adjustment are reasonable:

Customer Class	Allocation Factors
Distribution:	
Residential (R)	0.789938
Commercial (C)	0.187018
Industrial Sales & Transport (I & T)	0.023044

39. Atmos' proposed customer and meter counts comply with TEXAS UTILITIES CODE, §104.301, and with 16 TEX. ADMIN. CODE, §7.7101.
40. For calculating the number of customer charges or meter charges per year, it is reasonable for the Commission to approve use of Distribution's 2009 year-end number of customers multiplied by twelve. The following total numbers of customer and meter charges for use in the calculation of the interim rate adjustment are reasonable:

Customer Class	Total Number of Customer Charges / Meters
Distribution:	
Residential (R)	17,213,616
Commercial (C)	1,458,732
Industrial Sales & Transport (I & T)	11,304
Total	18,683,652

41. It is reasonable for the Commission to approve Atmos' applications for interim rate adjustments. The following amounts of interim rate adjustment revenue and additional customer charges by customer class are reasonable:

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Customer Class	Interim Rate Adjustment Revenue	Additional Customer / Meter Charges
Distribution:	\$ 16,957,187	
Residential (R)	13,395,123	\$ 0.78
Commercial (C)	3,171,295	\$2.17
Industrial (I & T)	390,769	\$34.57

Reimbursements of Expense

42. As provided for in the statute and the rule, a gas utility that implements an interim rate adjustment is required to reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the interim rate adjustment mechanism.
43. After the Commission has finally acted on Atmos' application for an interim rate adjustment, the Director of the Gas Services Division will estimate Atmos' proportionate share of the Commission's annual costs related to the processing of such applications.
44. In making the estimate of Atmos' proportionate share of the Commission's annual costs related to the processing of such applications, the Director will take into account the number of utilities the Commission reasonably expects to file for interim rate adjustments during the fiscal year, and the costs expected to be incurred in processing such applications.
45. Atmos is required to reimburse the Commission for the amount determined by the Director of the Gas Services Division and approved by the Commission, within thirty days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. Atmos Energy Corporation (Atmos) is a "gas utility" as defined in TEX. UTIL. CODE ANN. § 101.003(7) (Vernon 2007 and Supp. 2008) and § 121.001 (Vernon 2007), and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over Atmos, Atmos' applications for interim adjustments for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (Vernon 2007).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEXAS UTILITIES CODE ANN. §104.301 (Vernon 2008) and 16 TEX. ADMIN. CODE § 7.7101 (2008), Atmos is required to seek Commission approval before implementing an interim rate adjustment tariff for environs customers.
5. Atmos filed its applications for interim rate adjustments for changes in investment in accordance with the

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- provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2008) and 16 TEX. ADMIN. CODE § 7.7101 (2008).
6. Atmos' application for an interim rate adjustment was processed in accordance with the requirements of TEX. UTIL. CODE ANN. §104.301 (Vernon 2008) and 16 TEX. ADMIN. CODE §7.7101 (2008).
 7. In accordance with 16 TEX. ADMIN. CODE § 7.315 (2008), within thirty days of the effective date of any change to rates or services, Atmos is required to file with the Gas Services Division of the Commission its revised tariffs.
 8. Atmos may not charge any rate that has not been successfully filed and accepted as a tariff filing electronically pursuant to TEX. UTIL. CODE ANN. § 102.151 and 104.002 (Vernon 2008) and 16 TEX. ADMIN. CODE § 7.315 (2008).
 9. In accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE § 7.7101(a) (2008), the filing date of Atmos' most recent rate case, in which there is a final order setting rates for the area in which the interim rate adjustment will apply, was no more than two years prior to the date Atmos filed its initial interim rate adjustment.
 10. Atmos is required, under TEX. UTIL. CODE ANN. §104.301(e) (Vernon 2007) and 16 TEX. ADMIN. CODE § 7.7101(d) (2008), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
 11. Atmos shall include in all future annual interim rate adjustment filings, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
 12. Atmos is required, under TEX. UTIL. CODE ANN. §104.301(f) (Vernon 2007) and 16 TEX. ADMIN. CODE § 7.7101(e) (2008), to file with the Commission an annual earnings monitoring report demonstrating the Utility's earnings during the preceding calendar year.
 13. Atmos is required, under 16 TEX. ADMIN. CODE §7.7101(h) (2008), to recalculate its approved interim rate adjustments annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous interim rate adjustment application.
 14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i) (2008), all amounts collected from customers under Atmos' interim rate adjustment tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an interim rate adjustment and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
 15. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j) (2008), in the rate case that Atmos files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that Atmos files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall no longer be subject to review for reasonableness or prudence.
 16. The Commission has authority to suspend the implementation of the interim rate adjustment, under TEX. UTIL.

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CODE ANN. § 104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE § 7.7101(e) (2008).

17. Atmos provided adequate notice, in accordance with TEX. UTIL. CODE ANN. § 104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE § 7.7101(b) (2008).
18. Atmos' applications for interim rate adjustments, as proposed, comply with all provisions of TEX. UTIL. CODE ANN. § 104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE § 7.7101 (2008).
19. Atmos' interim rate adjustments established in the findings of fact and conclusions of law, comply with the provisions of TEX. UTIL. CODE ANN. § 104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE § 7.7101 (2008).
20. In accordance with TEX. UTIL. CODE ANN. § 104.301(h) (Vernon 2007) and 16 TEX. ADMIN. CODE § 7.7101(l) (2008), Atmos shall file a comprehensive rate case for the areas in which the interim rate adjustment is implemented, not later than the 180th day after the fifth anniversary of the date its initial interim rate adjustment became effective.
21. The Commission has authority, under TEX. UTIL. CODE ANN. § 104.301(j) (Vernon 2007) and 16 TEX. ADMIN. CODE § 7.7101(m)(2008), to recover from Atmos the Utility's proportionate share of the Commission's annual costs related to the administration of the interim rate adjustment mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT Atmos' interim rate adjustments as requested and to the extent recommended to be approved in the findings of fact and conclusions of law are **HEREBY APPROVED** to be effective for bills rendered on or after August 24, 2010.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than May 12, 2011, for Distribution, an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than May 12, 2011, for Distribution, a relocation project report, which provides additional information about relocation costs included in investment projects, in the format provided in this docket.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than May 12, 2011, for Distribution, an annual earnings monitoring report demonstrating Distribution's earnings during the preceding calendar year.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than May 12, 2011, for Distribution, recalculations of its approved interim rate adjustments and applications for annual interim rate adjustments for the preceding calendar year.

IT IS FURTHER ORDERED THAT within 30 days of this order Atmos **SHALL** electronically file its interim rate adjustment tariffs in proper form that accurately reflect the rates, as expressed in Exhibit A, approved by the Commission in this Order.

IT IS FURTHER ORDERED THAT Atmos **SHALL** not charge any rate that has not been electronically filed and accepted by the Commission as a tariff.

IT IS FURTHER ORDERED THAT Atmos **SHALL** reimburse the expenses incurred by the Commission in reviewing these applications. The amount of this reimbursement shall be determined by the Director of the Gas Services Division and must be approved by the Commission. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's

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order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Any portion of the Utility's application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 24th day of August, 2010.

RAILROAD COMMISSION OF TEXAS

/s/
CHAIRMAN VICTOR G. CARRILLO

/s/
COMMISSIONER ELIZABETH A. JONES

/s/
COMMISSIONER MICHAEL L. WILLIAMS

ATTEST:

Rachel Hampton
SECRETARY

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SECTION 6
MISCELLANEOUS

WILLIAM O. GEISE, GAS SERVICES DIVISION DIRECTOR

1. OFFICE OF THE DIRECTOR

A. Publications

1. Texas Utilities Code Titles 3 and 4. Now available at the State of Texas' website at:
<http://www.statutes.legis.state.tx.us>

Special Rules of Practice and Procedure and Substantive Rules. Now available thru the Commission's Website at:
[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.ViewTAC?tac_view=4&ti=16&pt=1&ch=7](http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=4&ti=16&pt=1&ch=7)
2.
 - a. Annual Report for Fiscal Year 2007 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/data/gasservices/annualrpt/2007/index.php>
 - b. Annual Report for Fiscal Year 2006 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/data/gasservices/annualrpt/2006/index.php>
 - c. Annual Report for Fiscal Year 2005 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/data/gasservices/annualrpt/2005/index.php>
 - d. Annual Report for Fiscal Year 2004 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/data/gasservices/annualrpt/2004/index.php>
 - e. Annual Report for Fiscal Year 2003 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/data/gasservices/annualrpt/2003/index.php>
 - f. Annual Report for Fiscal Year 2002 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/data/gasservices/annualrpt/2002/index.php>
 - g. Annual Report for Fiscal Year 2001 – available via the Commission's website at:
<http://www.rrc.state.tx.us/data/gasservices/annualrpt/2001/index.php>
3. Six MCF Monthly Residential Gas Bill Analysis for Twenty-five Texas Cities - \$2.00 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/data/gasservices/sixmcf/index.php>

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B. Interest Rate on Customer Deposits

We have been advised by the Public Utility Commission that the interest rate to be applied to customer deposits in calendar year 2010 is 0.34%. All gas utilities should use 2.09% through December 31, 2009 and use 0.34% effective January 1, 2010.

2. UTILITY AUDIT SECTION**A. Maintains headquarters and three district offices as follows:**

Headquarters - William B. Travis Building

1701 North Congress, P. O. Box 12967, Austin, Texas 78701

Ed Abrahamson, Director, Utility Audit Section

Pearl Rodriguez, Program Specialist

Telephone (512) 463-7022

Fax (512) 475-3180

Dallas District- 1546 Rowlett Rd., Suite 107, Garland, Texas 75043

Telephone (972) 240-5757

Fax (972) 303-1897

Yolandra Davis, Auditor

Josh Settle, Auditor

Austin District- P. O. Box 12967, Austin, Texas 78711-2967

Telephone (512) 463-7022

Fax (512) 475-3180

Stephen Cooper, Senior Auditor

Houston District- 1706 Seamist Drive, Suite 501

Telephone (713) 869-8425

Houston, TX 77008-3135

Fax (713) 869-3219

Margie Stoney, Senior Auditor

Larry Alcorn, Auditor

Dale Francis, Auditor

LaToya Johnson, Auditor

Konata Uzoma, Auditor

B. Gas Utility Tax, Annual Reports and Audit Reports

1. Questions relating to gas utility tax, call Pearl Rodriguez at (512) 463-7022.
2. Questions relating to annual reports, call Pearl Rodriguez at (512) 463-7022.
3. Inquiries relating to audit reports, call Pearl Rodriguez at (512) 463-7022.

C. Available Information

Copies of gas utility annual reports (2000 to present), as well as information relating to any of the above, A through C, are available for review at the William B. Travis Building, Gas Services Division, 9th Floor, 1701 North Congress. All requests for copies must be made in writing and should be addressed to the Audit Section. Copies will be provided for a fee, depending on the volume of copy work desired, allow a minimum of seven to ten business days for completion of requests. Inquiries regarding copies should be directed to the Audit Section at (512) 463-7022, or Fax your request to (512) 475-3180.

3. MARKET OVERSIGHT**A. Maintains the following office to assist you:**

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Headquarters - William B. Travis Building
1701 North Congress, P.O. Box 12967, Austin, Texas 78711
Mark Evarts, Director

Telephone (512) 463-7164

B. Gas Utilities Information Bulletin

Published on the Commission's web site at:

<http://www.rrc.state.tx.us/forms/newsletters/gasutilitybulletins/index.php>**C. Proposals For Decision**Published on the Commission's web site at: <http://www.rrc.state.tx.us/meetings/dockets/index.php>**D. Tariff Filings**

Questions pertaining to the filing of tariffs and/or quality of service rules should be directed to Kathy Arroyo, Yolanda Lovelace or Marie Blanco at (512) 463-7167.

E. Curtailments

Curtailment questions should be referred to (512) 463-7167. Curtailment reports made Monday through Friday, 8:00 a.m. to 5:00 p.m., should be made to (512) 463-7167. Curtailment reports made during hours other than those specified above and holidays, should be made to (512) 463-6788.

F. Compliance Filings

Questions regarding gas utilities docket compliance filing requirements should be referred to Mark Brock at (512) 463-7164.

G. Complaints and Inquiries

All complaints and inquiries relating to the gas utility industry should be directed to the Market Oversight Section at (512) 463-7164.

H. Pending RRC Rules and Regulations:

GUD No. 9277 Amendments to §7.305 Curtailment Rule

4. HEARINGS AND LEGAL ANALYSIS**A. Miscellaneous**

Anyone wishing to obtain copies of appendices to Orders appearing in Section 5 of this Bulletin should contact the Legal Division at (512) 463-7017.

B. Status of Pending Cases

The status of all pending cases listed in Section 3 of this Bulletin is for informational purposes only and is complete up to the time of printing of this Bulletin. For a more accurate status of pending cases, please call the Legal Division at (512) 463-7017.